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CENTRAL INTELLIGENCE AGENCY
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COUNTRY Poland/China/USSR

SUBJECT Polish-Chinese Trade Negotiations/Soviet Pressure for
Polish Concessions/Speculation Re Long-Term Polish Policy
Reported Polish Inquiries for Cargo Vessels

50X1-HUM

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Polish-Chinese Trade Negotiations

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1. "An official Polish trade mission left Warsaw by plane for Peking [redacted] The mission consisted of the Minister of Shipping, Mieczyslaw Popiel; the Vice-Minister of Foreign Trade, P. Goronski; and the Minister of Art and Culture, Wlodzimierz Sokorski. Their purpose was to negotiate further details of the Polish-Chinese agreement on the liquidation of Chinese debts caused by the failure of the Chinese to settle payments owed for Polish commercial and transport services. The following comments are dated mid-October 1953.
2. "The Poland-China shipping route is operated at present by 30 ships flying the Polish flag. Some of these ships, e.g. the POKIU, are Chinese property. They fly Polish flags to avoid trouble with naval vessels of the Chinese Nationalists. Nevertheless, incidents occur, e.g. the recent Nationalist seizure of the FRACA. [redacted]
[redacted] On the voyage to China Polish ships take on coal and oil in the Sicilian port of Augusta. Since the signing of the Korean armistice [August 1953] Polish ships have anchored at Shanghai. Before that most used the ports of Tientsin and Ching-Wang-Tao.
3. "The Polish mission hoped to solve three principal problems in the present Polish-Chinese trade exchange:
 - (a) The Polish-Chinese trade is not profitable for Poland. Polish ships travel to China fully loaded and return empty. Theoretically the costs of these voyages should be settled by China, but the rates of payment, under the existing agreement, do not cover even half the costs of voyages by ships carrying no cargo.

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- (b) China is nine months in arrears in her payments for Polish transports. Poland at present is covering all operating expenses of the Polish-Chinese shipping lines. The Polish Oceanic Lines owe considerable sums to foreign harbors in which their ships have berthed. The financial position has become so difficult that Polish ships in Western harbors are doing their utmost to handle loadings in one day, to avoid paying heavy port fees. The Chinese debts were to be settled by the barter agreement concluded between Poland and China at the end of August 1953. It appears now that China is short of the goods which she contracted at that time to deliver and therefore cannot fulfill her obligations. Also, China has tried to take advantage of the fact that no exact stipulation has been made on the prices of the goods to be delivered to Poland. In this barter operation China is calculating prices on a level about 30% higher than current world market prices. The practical result is that, instead of valuable hard currencies, Poland is to get for her services small quantities of goods at prices more expensive than she would have to pay to get the same goods from another country.

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4. "The Polish trade mission, despite all efforts, has not obtained satisfactory results in Peking. The Chinese Government offered to Poland:
- (a) First, such raw materials as wolfram ores, which are not worth shipping extensively the distance from China to Poland.
 - (b) Silk products of inferior quality, which the Poles consider a luxury article.
 - (c) Small quantities of rice. The Chinese agreed to this delivery unwillingly, explaining that their supplies were small for the needs of China.
5. "The failure of the Polish trade mission proves that the widely advertised Polish-Chinese trade cooperation is shaping to the serious detriment of Poland. The Polish economy will have to cover considerable deficits caused by China's fundamental reluctance to pay her debts either with money or with goods. This adds a peculiar flavor to the words spoken on the Day of Polish-Chinese Friendship in Warsaw by the Chinese Ambassador. He said that the principles of Polish-Chinese cooperation are 'fundamentally different from those on which trade cooperation between capitalist countries is based.'
6. "During the commercial negotiations in Peking, the Minister of Art and Culture, B. Goronski, also discussed with the Chinese the training of Chinese technicians by Polish specialists and the development of Polish-Chinese cultural cooperation.

Soviet Pressure for Polish Concessions

7. "The negotiations in Peking were attended by a Soviet representative [not identified] who pressed the Poles to make the greatest possible concessions.

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Speculation Re Long-Term Polish Policy

8. "There is much speculation [] as to why, in spite of the losses incurred hitherto in Poland's trade with China, the Polish Government is still yielding to Soviet pressure and further expanding that trade. Three main reasons are cited:
- (a) The undoubted strength of the pressure of the USSR on Poland.
 - (b) The apparent hope of the Polish Government that, despite present losses, a time will come when People's China will achieve an economic balance and will become a valuable partner in international trade exchange.
 - (c) The Polish recognition that the USSR is penetrating deeply and permanently into the Chinese economy, in both the market of consumer goods and the field of capital investment. The Polish Government apparently feels that China will never be compelled to seek other sources of economic investment. [] She will be dependent on the USSR. Since the USSR cannot fulfill the demands of the Chinese economy with her own resources -- Soviet industry is not sufficiently developed -- she is doing it -- and will continue to do it -- at the expense of her Satellites, particularly of Poland, Hungary and Czechoslovakia whose standards of industrialization are the highest in the Soviet Orbit.

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Reported Polish Inquiries for Cargo Vessels

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- (b) The Polish Government has also indicated that it would be prepared to buy two cargo vessels to travel the Gdynia-China route under the Polish flag, carrying Polish and Czechoslovakian cargoes to China.
 - (c) Polish and Soviet agents are exploring the possibilities of buying some cargo vessels for the Polish-Chinese route which would be paid for by China and operated by Chinese."

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